

Understanding Entrepreneurial Perception and Business Conditions in Vietnam Through the Approach of the Global Entrepreneurship Monitor

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Received 11 May 2014

Revised 28 June 2014; Accepted 11 July 2014

Abstract: Based on the survey results of 2,000 individuals and 36 national experts in 2013, and the analytical framework of the Global Entrepreneurship Monitor (GEM), this paper provides a broad view of the Vietnamese entrepreneurship characteristics in different phases; from intending to start, to just starting, to running a new or established business, and even to the discontinuance of a business. The paper also suggests an analytical framework condition for business development in Vietnam. Key overall findings show that the perception of the existence of opportunities and business skills in Vietnam is low. The intention of starting a business in the next three years is lower than the average ratio of 44.7 percent in other economies. The percentage of surveyed adults in Vietnam who owned and managed business activities in the early stages has reached 15.4 percent, while the rate of start-up is only 4 percent, which is lower than the average rate in other economies. The rate of adults who abandoned their business activities in the past 12 months is 4.3 percent, including 2.5 percent of adults who discontinued their business and 1.8 percent of adults who sold their business for others to operate. Among the total of 12 business condition indicators in Vietnam, the three following indicators have the highest levels: governmental regulations, the dynamics of the domestic market, and governmental policies. The three lowest ranking indicators encompass post-secondary education, secondary education, and business support services. Finally, this paper proposes recommendations for the improvement of business conditions and the promotion of the development of entrepreneurial activities in Vietnam in the coming years.

Keywords: GEM, entrepreneurship, business conditions.

1. Introduction and background

In the context of globalization and economic integration today, with the rapid fluctuations of the economic situation in the

country, the measurement of socio-economic indicators has become an urgent requirement for governments and international organizations. These indicators will help governments better understand the current status of their economic development; thus they can develop appropriate policies in order to enhance economic development. Currently, the

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World Bank (WB), the World Economic Forum (WEF), the Organization for Economic Cooperation and Development (OECD) [1], the United Nations (UN) and other organizations through their reports have all taken steps in promoting and strengthening information about the indicators of socio-economic development.

One of the necessary socio-economic indicators is a broad view of the entrepreneurial characteristics which combine the business performance index and the business environment indicator in a country. There is a wide array of studies on business and entrepreneurship in the world today. However, the Global Entrepreneurship Monitor (GEM) is a research initiative that provides an indicator for economic growth forecasts. The GEM measures an individuals' perception of entrepreneurial activities, their efforts as well as their motivation to engage in business activities. The GEM indicates a number of distinctions which make it unique compared to other studies. At the time the GEM was introduced, no existing initiatives had compared entrepreneurship across countries, although there were a number of projects trying to provide indicators to compare business development between countries, for example the COMPENDIA data of OECD. These indicators, however, reflected a rather single dimension of entrepreneurship (while academics agree that entrepreneurship is a multi-faceted phenomenon), or only covered a selection of (mainly developed) countries. The GEM provides an integrated database of business development situations in a country that can be compared with the situation of other countries in the region and in the world. Although a few similar studies also emerged to provide a comparative index of national economic development, including three key initiatives: the Entrepreneurship Indicators Program - EIP of the OECD/Kauffman, the enterprise data/survey of the WB, and the

survey on entrepreneurship of Eurobarometer, the GEM remains unique due to the following characteristics: the GEM combines a business performance index and a business environment indicator, and is consistent with the hypothesis that has been argued by many researchers that the business environment has a role in leading business development. The GEM provides not only research about new or established business activities, through the adult population survey, it also focuses on entrepreneurial activities from the start-up phase to the business growth phase. This approach provides a detailed view of business rather than merely numbers found in any business registration database.

With its importance, the GEM has attracted nearly 100 countries participating in the research until 2013. Asia, in particular, has twenty countries and territories who have participated in GEM research. In Southeast Asia, there are five GEM's members including Indonesia, Malaysia, the Philippines, Singapore and Thailand. This suggests the need for Vietnam to join in and apply GEM methodology. Therefore, this paper is expected to apply or follow the approach of GEM research to understand entrepreneurial perception and business conditions in Vietnam.

2. Conceptual framework of the GEM

According to the GEM approach, the growth of a national economy is fully understood as the result of two factors: current business activities and entrepreneurial characteristics.

Current business activities may impact national economic growth mainly through expansion of business or application of new technologies, which leads to new job creation or productivity improvement; thereby it increases output.

Entrepreneurial characteristics impact directly on entrepreneurship by creating more

jobs and value for society. The decision to start a business is affected primarily by an entrepreneur's attitude, which is referred to as an ability to recognize and seize opportunities, an ability to take risks and tackle the fear of failure, and his/her perception and evaluation of conditions. Obviously, such an individual who has the ability to seize opportunities, has a good business capacity, does not feel failure fear, and feels social respect for entrepreneurs, is more likely to start his/her own business than others in the community. The decision to start a business will also be governed by his/her daily activities, life demands or requests by other people driving him/her to develop an idea of a new product or a new business plan. Thus, an individual's characteristics will influence his/her decision to start a business.

These two factors have a bi-directional relationship, thereby requiring simultaneous consideration of business activities and individuals who own and manage business activities as shown in the GEM conceptual

framework (Figure 1). Business activities and entrepreneurial characteristics are governed by the general business environment of a country. Business environment consists of three groups of elements: basic elements, efficiency enhancer elements (which help to improve business efficiency) and business conditions. The first two categories have been studied in the WEF's competitiveness report and therefore, are employed in the GEM study. These elements form basic conditions which affect the social development and welfare of the people in a society. Though these basic elements influence business operations indirectly, they represent important forces which cover the institutional and macroeconomic stability or infrastructure under development that is said to facilitate full functionality of businesses. To date, the GEM has set out nine factors for the development of *Entrepreneurship Framework Conditions* (EFC) to investigate the national business environment.

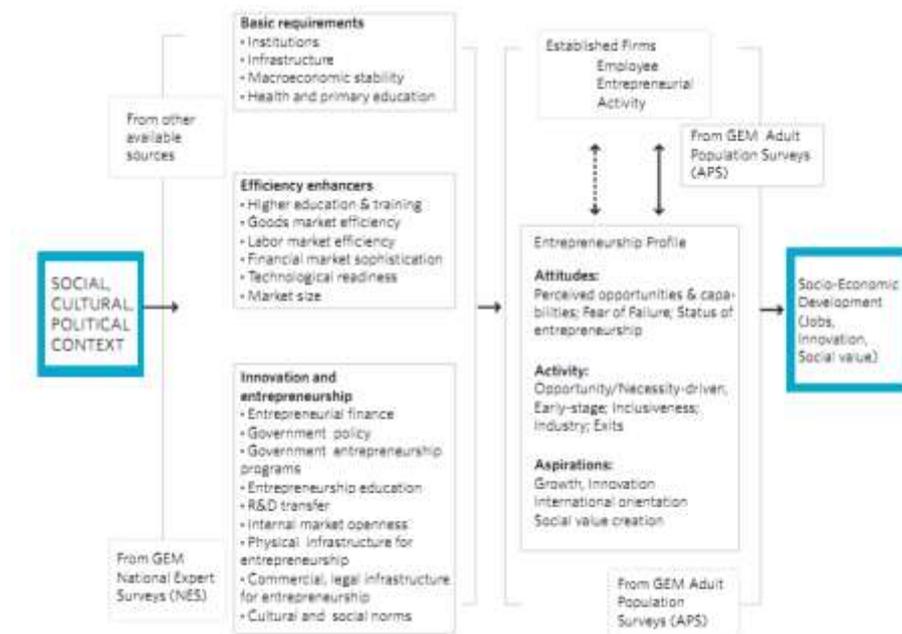


Figure 1: GEM conceptual framework.

Source: Amorós and Bosma, 2014.

To better understand the relationship between entrepreneurial characteristics and entrepreneurial activities, the GEM analyzes this relationship according to the development phases of business activities. Figure 2 shows the entrepreneurship process and the GEM operational definitions. According to this figure, the GEM evaluates business development in a country as well as globally in the following phases: (i) Potential Entrepreneur, (ii) Intentions, (iii) Nascent Entrepreneur, (iv) Owner-Manager of a New Business, (v) Owner-Manager of an Established Business, (vi)

Discontinuation of Business [3]. It is clear that the entrepreneurship process is true for all economies in the world. However, the transition from one stage to the next differs from country to country, depending on the entrepreneurs' characteristics and business environment. Based on survey data collected, the GEM evaluates the proportion of adults (between the ages of 18-64 years old) who participated in the entrepreneurship process. With these indicators, the GEM has been able to compare national business development at a regional level or a different entrepreneurship process.

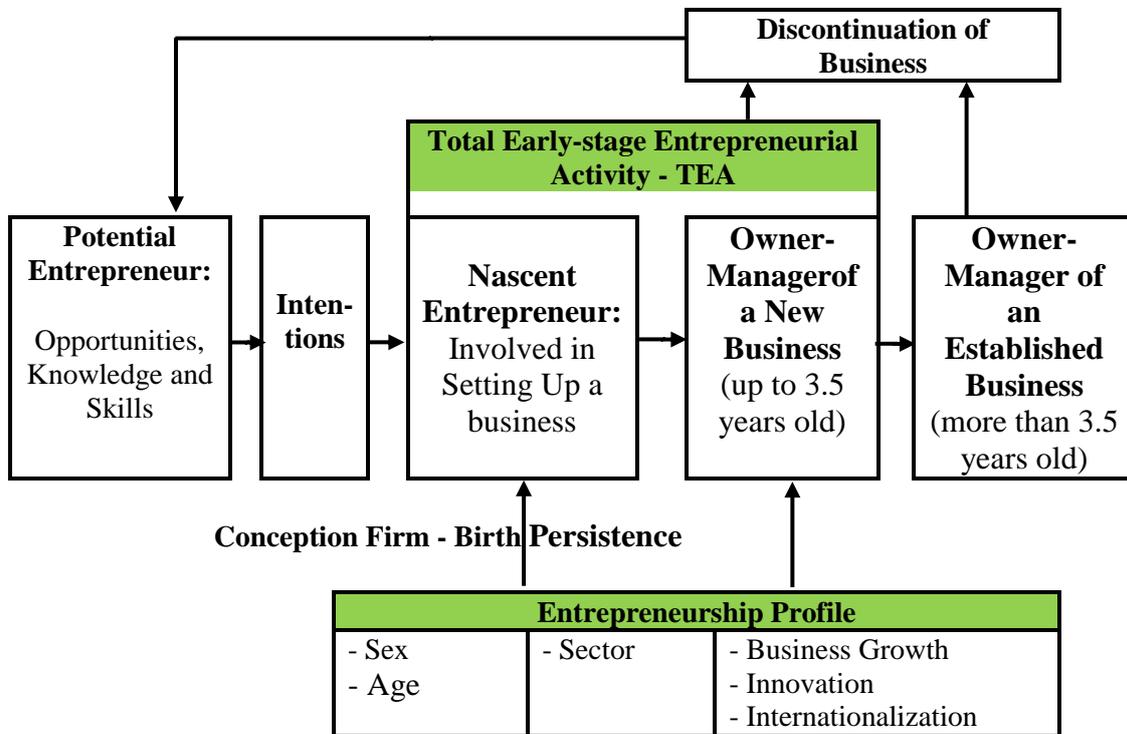


Figure2: Entrepreneurship process and the GEM operational definitions.
 Source: Kelly et al, 2012 - GEM 2011.

This entrepreneurship process starts with the involvement of potential entrepreneurs - those individuals who manifest entrepreneurial attitudes as potential prerequisites of the entrepreneur. These individuals believe that they possess the capability to start a business,

see new business opportunities and would not be dissuaded from doing so for fear of failure. Additionally, their intention to start a business is underpinned by the perception that the society holds of entrepreneurs, the status that these individuals enjoy in their society and

whether the media carries positive coverage of entrepreneurs. These factors will help potential entrepreneurs intend to start a business.

The next phase is nascent entrepreneurial activity - individuals are turning their intentions into specific action to establish a new business. This period starts when the entrepreneur spends time and invests his/her money in starting a business until the business has been in operation for less than three months. The next phase is the owner-manager of a new business (up to 3.5 years old). These two phases are critical and meaningful for GEM research and are combined into the Total Early-stage Entrepreneurial Activity (referred to TEA).

Established businesses are those that have been in existence for more than three and a half years. Discontinuation of activities in owning and managing a business is also an important aspect of entrepreneurship. Indeed, many of the individuals who discontinue their business start again, become serial entrepreneurs, may join established companies and realise their entrepreneurial ambitions as employers.

3. Methodology

In accordance with the GEM analytical model, this research performed two surveys: An Adult Population Survey (APS) and a National Experts Survey (NES). They were conducted from June 20 to August 20, 2013.

3.1. Adult Population Survey

An Adult Population Survey (APS) was undertaken serving the purpose of gathering information about the involvement of adults in entrepreneurial activities and their entrepreneurial attitudes and perception. In addition, this survey also provided information relating to business relationships, business innovation trends and

business registration. The survey was conducted with a sample of at least 2,000 adults in the age range of 18-64 years. Survey samples should be representative for the country and satisfy the criteria for region, gender, age and residential areas (urban/rural). This survey must be carried out by the companies/organizations that have survey expertise.

The APS Vietnam was conducted by the Vietnam Chamber of Commerce and Industry (VCCI). Survey samples were selected in accordance with four criteria, including socio-economic region, gender, age, and residential location (urban/rural) on the basis of the census data provided by the General Statistics Office of Vietnam. The selection of individuals was made randomly (with the exception of province selection), according to the following levels: (i) select provinces, (ii) select districts, (iii) select communes, (iv) enumeration area selection, (v) select households, (vi) select individuals. The data collection method was face-to-face interviews with questionnaires.

3.2. National Expert Surveys

The National Experts Survey (NES) aimed at collecting assessments of national experts on 9 Entrepreneurial Framework Conditions (EFC). The NES sample comprised a minimum of 36 respondents in 9 EFCs including: (1) finance, (2) governmental policies, (3) governmental programs, (4) education and training, (5) research and development transfer, (6) commercial infrastructure (business support services), (7) internal market openness and barriers to entry, (8) physical infrastructure (transport, electricity, water) and (9) cultural and social norms.

There were 4 experts in each EFC category with at least one person who was doing business. There were qualitative questions on a scale from 1 to 5 in the survey questionnaire in

order to gather opinions of the experts on the related issues.

4. Analysis of results and discussion

4.1. Entrepreneurial perceptions in Vietnam in 2013

The assessment of national entrepreneurial attitudes and perception provides an insight into an individual's entrepreneurial motivations. Individuals' perceptions about business start-up and growth were evaluated on the basis of the following measures: Perception about business opportunities; Assessment of business capabilities; Ability to face fear of failure; Entrepreneurial intentions; Social perceptions about entrepreneurs.

- Perception about business opportunities

The slow recovery of the economy since the global financial crisis occurred has significantly limited the economic opportunities to start a business in Vietnam. The percentage of adults who perceive an opportunity to start a new business in Vietnam in 2013 was only 36.8 percent, much lower than the average level of 60.8 percent in many countries with a similar economic development level of factor-driven economies. Compared with other ASEAN-5 countries, the rate of perception of business opportunities in Vietnam is only higher than that of Singapore (22.2 percent) which is currently in the third stage of development with an innovation-driven economy, while it is lower than countries such as Malaysia (40.7 percent), Thailand (45.3 percent), Indonesia (46.6 percent) and especially the Philippines (47.9 percent) which is at the same stage of development as Vietnam.

Regarding entrepreneurial capabilities, nearly half of the adult respondents in Vietnam consider themselves to have sufficient knowledge, skills and experiences to start a

business. However, this percentage is much lower than that of developed countries that are in the first stage (68.7 percent). Compared to ASEAN-5 countries, the percentage of people with the perception of adequate business skills in Vietnam is higher than that of Singapore, Malaysia and Thailand, but lower than that of Indonesia and the Philippines. This shows that Vietnamese people are not very confident about their entrepreneurial capabilities, which may be partly attributed to difficult economic situations and business challenges over the years. The GEM research on a global scale shows the proportional correlation between perception about business opportunities and entrepreneurial capabilities. It can be inferred therefore, that Vietnam's difficult economic situations lead to poor perception of business opportunities and low assessment of entrepreneurial capabilities.

A noted similarity between Vietnam and other countries across the world is that the percentage of people assessing themselves as having entrepreneurial capabilities is higher than that of people seeing business opportunities. If the stages of the business cycle are considered, as the business grows the gap between the perception of business opportunities and that of entrepreneurial capabilities also becomes bigger, which means the more business grows, the more improvement in business skills the entrepreneurs achieve, but less business opportunity is also perceived. It can be observed that among people who do not engage in entrepreneurship, the percentage of people seeing business opportunities is higher than that of people with perceived entrepreneurial capabilities.

The measures of entrepreneurial perception of Vietnamese people increases along with the level of their education. Nearly half of those with a university degree or higher perceive business opportunity, while this figure is 33.8

percent for those who just graduate from a college, 37.7 percent from a high school, 26.9 percent from a secondary school and 20.6 percent from a primary school. Similarly, in terms of entrepreneurial capability, 80 percent of people with a doctoral degree and 64.9 percent of those with a master degree said they have business capability, while the rate for persons with a secondary education and lower is just 40 percent or less. This suggests that education and training plays a role in developing a perception of business.

As far as age is concerned, the perception of entrepreneurship changes correspondingly with career development. The age range of 35-44 years is the most important for an individual's career path so in this age range business perception is also the highest at 39.1 percent for business opportunity and 59 percent for business capability, followed by the age range of 25-34 years which is at the usually starting point of one's career and the age range of 45-54 which is in the stable phase. The percentage of business perception is the lowest for these two age groups (18-24 and 55-64) in accordance with the career preparation phase and the career end period.

Fear of failure and entrepreneurial intentions

Fear of failure is one of the most important psychological factors blocking an individuals' engagement in entrepreneurship. This is measured in this study by the percentage of those who feel it is the fear of failure that prevents them from participating in business, even though they see business opportunities.

The rate of fear of business failure in Vietnam is 56.7 percent. The GEM Global 2013 study points out that in developed countries, people are more careful when engaging in business, therefore, the fear of failure causes more obstructions. However, for a developing

country which is in the first stage of development like Vietnam, the rate of fear of business failure is higher than that of the countries in the third stage of development. For Vietnam, the main reason is because the period 2010-2013 witnessed a decline in economic growth in Vietnam when the rate of GDP continuously decreased from 6.78 percent in 2010 to 5.89 percent in 2011, and further reduced to 5.25 percent in 2012, although it improved slightly in 2013 at 5.42 percent. Businesses suffered difficulties in mobilizing capital when the interest rate for loans exceeded the tolerance of businesses, sometimes up to 19-20 percent a year (in the first quarter of 2010), although it decreased to about 13-15 percent a year in the following years. Meanwhile, the demand of consumers and production decreased, reducing the market for output, making the inventory and bad debts become "twice clotted blood" so many businesses had to suspend their operations or dissolve. In the period 2011-2013, in each year there were more than 50 thousand businesses that suspended their operations or dissolved. This figure increased over time, particularly: there were more than 51 thousand businesses in 2011, 54,261 in 2012, and 60,737 in 2013. Meanwhile, the number of businesses newly registered decreased from 89,187 businesses in 2010 to 77,548 businesses in 2011 and continued to decline to 69,874 businesses in 2012 before it increased again to 76,955 businesses in 2013 [4, 5, 6].

Entrepreneurial intention in Vietnam is found to be higher for men than for women (25.3 percent versus 22.9 percent). The higher the age range, the lower the ratio of people having the intention to start a business. Among people aged from 18 to 24 years, 29.2 percent indicate an intention to start a business, while this rate is 16 percent and 8.3 percent respectively in the age group 45-54 and 55-64. Entrepreneurial intention is also directly

proportional to the level of education. Only 11.4 percent of people with primary education have an entrepreneurial intention, while this rate is 35.3 percent among those with a university degree, 73.9 percent with a master degree, and 80 percent with a doctoral degree.

Entrepreneurship in Vietnam in 2013

Entrepreneurship development

As described previously, in order to assess the entrepreneurship development in different countries, the study developed two indicators as follows:

- Total Early-Stage Entrepreneurial Activity (TEA) including entrepreneurial activities (which have been operating for less than 3 months) and new entrepreneurial activities (less than 3.5 years)
- Establishment of business ownership (EB) including entrepreneurial activities (which has been operating for more than 3.5 years)

This study focuses especially on the TEA indicator as new entrepreneurial activities present an important source of new jobs generation and new values for an economy. A high TEA indicator means the economy is in the phase of thriving. Meanwhile, EB indicators show business activities are of stable development.

Figure 3 summarizes the basic characteristics of entrepreneurial development in Vietnam in 2013. Vietnam's TEA rate is 15.4 percent while the rate of new start up activities is 4 percent and the rate of new entrepreneurial activities is 11.5 percent. This means in 2013, 4 of every 100 adults started a business while 12 of them were currently owners or managers of new entrepreneurial activities (less than 3.5 years). Vietnam's EB rate of only 16.4 percent means 16 out of 100 adults surveyed were currently owners or managers of new businesses for more than 3.5 years.

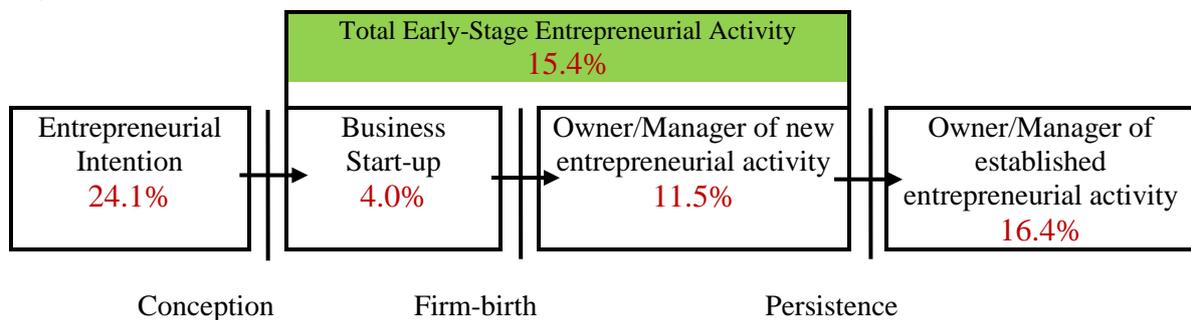


Figure 3: Entrepreneurship Development in 2013.
Source: APS in Vietnam in 2013.

The GEM 2013 Global report reveals that the indicators to assess entrepreneurial development tend to decrease inversely to the development of the economy, meaning that a factor-driven economy would have the highest TEA and EB rates, while an innovation-driven economy has lower rates. However, in the case of Vietnam as a factor-driven economy, the rate of start-up entrepreneurial activities is even lower than the average level of other countries

in the third stage. This contributes to the much lower TEA rate of Vietnam than the average level of other nations in the same stage of development. Vietnam's current low rate of business start-ups can be attributed to the recent instability of the macro economy and the decline of economic growth, posing more difficulties for entrepreneurial activities. Although there has been no census made on the entrepreneurial activities, especially the

individual entrepreneurial activities, statistics on business activities in enterprises in recent years may allow the generalization that entrepreneurial activities may discontinue as new entrepreneurial opportunities diminish. This situation may undermine trust and increase the fear of failure when engaging in entrepreneurship in Vietnam, resulting in a low rate of starting-up of businesses. The rate of people with the entrepreneurial intention to start a business in the future may be low, showing signs of continuing difficulties in doing business in Vietnam and the need for timely development of an entrepreneurship support policy.

Characteristics of Vietnamese entrepreneurs in 2013

Motivation for starting a business

In Vietnam, only 25.1 percent of those who start a business do so because they have no better job options, while nearly 74.9 percent are opportunity-driven entrepreneurs, of which 62.2 percent want to take advantage of the opportunity for personal development. This ratio is much higher than the average level of 46 percent in other countries with the same level of development and even higher than the average level of 53.7 percent in countries with innovation-driven development. In particular, Vietnamese people who start a business mainly because they want to increase their income, account for 48.5 percent, ranking the second highest in the surveyed countries, only after Libya with 51.6 percent. Meanwhile, the average rate of countries in the first stage of economic development is 30 percent, in the second stage 24.5 percent, and in the third stage 29.4 percent. With regard to the opportunity-driven motive to be more independent, only 13.7 percent of those starting a business in Vietnam pursue this objective, ranking 55th out of 70 surveyed countries. This ratio stands at 17 percent in first-development stage economies, 19.1 percent in the second stage economies, and

27.1 percent in third stage economies. It can be seen that Vietnamese people participating in business are greatly motivated by the opportunity to increase their income.

Education level of entrepreneurs

In line with current trends in countries across the world, the higher the level of education, the higher the proportion of people engaged in the early stages of entrepreneurial activity. However the differences in the level of education in Vietnam are more clearly demonstrated, especially compared to the average level in the first development stage countries. In Vietnam, the rate of entrepreneurs with a primary or secondary degree stands at 9.4 percent, followed by those with a high school degree at 15.1 percent, those with a college or university degree at 18 percent, and higher education at 26.9 percent. Whereas, the average rates of countries in the first stage of development are 18.7 percent, 19.6 percent, 20.4 percent, and 19.2 percent respectively. The figures of the countries in the second stage of development stand at 11.1 percent, 14.2 percent, 16.7 percent and 13.5 percent respectively and the ratios of countries in the third development stage are 4.6 percent, 6.7 percent, 9.4 percent, and 10.6 percent. This result shows that the higher the education level is, the more capable the people are to start a new business activity.

However, with regard to established entrepreneurial activities, there are differences between countries in the first stage of development and those in the second and third stages. Unlike countries in the second and third stage of development which follow the rule that the higher the education level, the larger the proportion of people engaged in entrepreneurial activity, countries in the first development stage have the reverse trend. The rate of people with a primary or secondary degree engaging in entrepreneurial activity is the highest, while the

ratio of those with a higher education degree is the lowest. In fact, in those countries which are in the first stage of development, education has not been well developed. Entrepreneurs with a university degree or higher have better career choices rather than engaging in business activities and this accounts for the low proportion. This situation in Vietnam previously has led to a low proportion of entrepreneurs with a post-graduate degree at 3.8 percent. The rate of people with a college or university degree accounts for only 8.3 percent. Whereas, the rate of people with a primary, secondary or high school degree who are currently the owners or managers of established entrepreneurial activities stand at 23.1 percent and 24.9 percent respectively.

Compared to the rates of people participating in early entrepreneurial stages and established entrepreneurial activities in Vietnam by education level, it can be seen that the education level of Vietnamese entrepreneurs has improved. The rate of people having a high school degree or lower accounts for 76.4 percent at the established entrepreneurial stages, but it only accounts for 42.5 percent for the early stage of entrepreneurship. In contrast, the rate of entrepreneurs with a university degree or higher increased from 11 percent for the stages of business development to 41.2 percent for the early stages of business. This has resulted from the development of education and training in Vietnam in recent years.

Characteristics of entrepreneurship in Vietnam in 2013

Sector activities

A GEM study divides entrepreneurial activities into 4 categories, specifically: the extractive sector, the transforming sector, business oriented services and customer oriented services. According to this classification, the majority of business

activities, whether in the early stages or in the stage of development, mainly geared towards the consumers. The rate of business activities serving consumers decreases when the level of economic development is higher. In innovation-driven countries, the rate of business activities in the extractive sector is low while the level of business-focused activities is quite high, at 28 percent. In efficiency-driven economies, the transforming activities achieve a high proportion of more than 27 percent, ranking second only after customer-focussed activities.

In Vietnam, the distribution of entrepreneurial activities is quite similar to that of factor-driven countries. The rate of business activities with customer service orientation accounts for 73.5 percent, ranking 8th out of 70 countries, and ranking 5th out of 13 countries in the group of factor-driven economies. Though categorised as one of the factor-driven economies, the rate of business activities in the extractive sector in Vietnam is quite low, only 2.4 percent, ranking 40th out of 70 countries and 10th out of 13 countries in the first economic development stage. Compared with the structure of business sectors of second development stage countries, the rate of business activities in the transforming sector and business oriented services in Vietnam is much lower. Therefore, in order to keep pace with, and to switch to, the second stage group, Vietnam needs to increase the proportions of these activities.

Networks to support business

In Vietnam, business owners receive tips and advice mainly from friends and family. For the business activities at an early stage, nearly 73.8 percent receive advice from friends and 59.7 percent of them get advice from a husband/wife, 55.3 percent from family members or relatives and 52.7 percent receive advice from parents. Business owners of established entrepreneurial activities also seek

advice from these four groups. However, they rarely receive consultation or advice from experts or organizations with expertise in business support such as public consultation for enterprises, lawyers, accountants, investors, banks or researchers and inventors. Sources of advice available to entrepreneurs such as partners and suppliers are also limited. This shows that Vietnamese entrepreneurs lack information sources for consultation relating to business support services, so they usually seek advice from their family or friends. Apparently, there is a lack of consultation services to support entrepreneurs in Vietnam today.

Business cooperation

During the process of development, each business activity often works with other business activities or organizations. This collaboration can be formal or informal relating to the production, supply, marketing or business efficiency. For established business activities in Vietnam, business cooperation mainly covers marketing and sales activities, including sales for existing customers (29.5 percent) and potential customers (22 percent). Another activity that can also involve cooperation is goods production and service provision (24.8 percent). Unfortunately, the process to develop new products entails the least cooperation, though this could be the most important step for the development.

Business discontinuation in Vietnam in 2013

In Vietnam, the rate of adults giving up their business activities in the last 12 months is 4.3 percent, with 2.5 percent of the business activities being stopped and 1.8 percent of business activities being sold to others to continue operation. These rates in Vietnam are much lower than the average level of other countries in the same stage of development. This result shows that the stability of business in Vietnam is much

higher than the average level of countries in the first stage of development, but is lower than countries in the second and third stage of development. If compared to the TEA rate, the rate of business discontinuation in Vietnam is still high at 27.6 percent. This means that for every 100 people newly participating in business activities, 28 other people will give up their business activities. Similarly, for every 100 business activities which are just commenced, 16 other business activities are subject to discontinuance.

The main reasons for business discontinuation, as cited by Vietnamese entrepreneurs, include not being profitable (15.3 percent), having financial problems (20 percent) and other personal reasons such as health or family related issues (35.3 percent). These are the most common reasons for adults to give up their business in other economies. However, there is a slight difference in 2013 in the rate of people giving up their business because of unprofitability is the highest in the surveyed countries, regardless of their level of economic development. The fourth important reason in Vietnam, and also in many other countries, for business discontinuance is that the people involved have another job or business opportunity (12.9 percent). The rate of business discontinuation caused by this reason in third stage economies is even higher than the rate of business discontinuation caused by financial problems. The reason of having another job or business opportunity along with the reason that they have an opportunity to sell their business (accounting for 2.4 percent) presents a group of positive motives for business discontinuation. Some other motives pushing an individual to give up his/her business that could be mentioned include that the giving up is deliberate and pre-planned (7.1 percent), retirement (3.5 percent), or facing break-down or natural calamity (3.5 percent).

Conditions for entrepreneurship in Vietnam in 2013

In order to assess the conditions for entrepreneurship in different countries, GEM research is based on the results of the National Experts Survey (NES) in 9 entrepreneurial framework conditions.

According to the assessment of experts, Physical Infrastructure is the factor which is highly evaluated in the entrepreneurial conditions in Vietnam, achieving 3.58 points (on a scale from 1 to 5 points). The development of a communication network is highly evaluated by the experts; thanks to that, businesses could access the communication network with reasonable costs (3.86 point) and in a short time (4.09 point). Thanks to these two components, the average point of physical infrastructure reached the highest point, although the network of roads and utilities is assessed not to support well the development of entrepreneurial activities (only achieving 2.8 points). The two following factors which are highly evaluated by the experts are the Internal market - Dynamics (3.5 points) and Cultural and Social Norms (3.1 points). Among 12 EFCs, only 3 of them were rated above the average level (3 points), the 9 remaining indicators were judged below the average level by the experts, including the last three indicators namely: Governmental Programs (2.5 points), Finance for entrepreneurship (2.4 points) and especially Education - Primary and Secondary (1.97 points). Obviously, primary and secondary education programs in Vietnam did not provide sufficient coverage of business skills to encourage an entrepreneurial spirit among students. In addition, primary and secondary education does not promote creativity, confidence and initiative or equip students with market principles. These are the two categories with the lowest points, only 1.86 points on the scale of 5.

However, when comparing the entrepreneurial conditions in Vietnam to other countries in the world, the order of entrepreneurial conditions presents big differences. Vietnam's indicator with the highest rank is the national policy - regulations, ranking 13th in the total number of 69 countries¹, although it is still below the average level, followed by the Internal market - Openness, ranking 15th. Three indicators ranking at 20th position are National policy - General policy, R&D Transfer and Cultural and Social Norms. Among 5 indicators ranking the highest in Vietnam, 3 categories of national policy - regulation, national policy - general policy and R&D Transfer are graded below the average level. This result showed limitations in facilitating the entrepreneurial development of the national policies and R&D transfer in many countries all over the world. These factors require improvements by Vietnam and other countries to boost the development of entrepreneurship.

One EFC category in Vietnam which ranked in the lowest position is Education - Primary and Secondary (ranking 46th) and Education - Post-school (ranking 50th). This result showed the state that entrepreneurship education in both primary, secondary and post-school education has been moving backwards, lagging behind many countries in the world. Additionally, the workforce in Vietnam has been believed to have a lack of skills, awareness, behaviour and techniques as identified in the Vietnam Development Report 2014 of the World Bank, indicating the need for reforms in education in Vietnam. The education network in Vietnam is usually well-trained in delivering skills such as reading, writing and calculating, however, the necessary skills to become an entrepreneur or a worker in the modern market economy, such as the skills of cognition, thinking, creativity and independence, etc. are usually not encouraged to

¹ Among 70 countries participating in GEM 2013 survey, Japan did not conduct the National Expert Survey.

develop in either primary, secondary or higher education. The third lowest position of the entrepreneurial condition is entrepreneurial support services, which is also known as commercial infrastructure. The development of services such as counselling, legal, accounting and auditing services in Vietnam has not been commensurate to the development of the economy so it could not support much for the development of entrepreneurship. Therefore, almost all businesses in Vietnam do not want to use these services to improve or enhance their business efficiency, they only use these services in mandatory circumstances. The indicator of physical infrastructure, which reached the highest average points compared to other indicators in Vietnam, only ranked in 43rd position. This shows that the physical infrastructure in Vietnam is still rated at the level of the backward country group, posing many barriers for the development of entrepreneurship.

5. Conclusion and recommendations

This research paper has provided a broad view of the entrepreneurship characteristics in Vietnam in different phases, from intending to start, to just starting, to running a new or established enterprise and even to discontinuing a business. In addition, the paper also suggests an analytical framework of conditions for business development in Vietnam. Based on the survey results of 2,000 individuals and 36 national experts, and through following the analytical framework of the Global Entrepreneurship Monitor (GEM), this paper shows key useful findings and recommendations.

5.1. Firstly, trust for entrepreneurs should be built

- By the Government keeping on consistently working on measures to stabilize

the macro-economy, to control inflation and regain the trust of entrepreneurs. These policies should be predictable and forecast so that people can develop their business plans.

- By maintaining the transparency of policies, creating favourable conditions for entrepreneurs to access information and technical assistance (non-financial) as well as financial services.

- By creating an environment for fair competition across economic sectors so that people will not feel that they are discriminated against in the process of accessing business resources.

- By improving the dissemination of information so people have a good understanding of market needs as business ideas often come from solving the needs of life.

5.2. Secondly, promoting entrepreneurship education for business start-up and enhancement of business skills

- General education programs in high schools should include creativity, independence and team work abilities. At the same time, relevant business knowledge should be introduced to help students to orient their future career path early. The program “Know about your business” (KAB) was tested in Vietnam and brought into discussion in order to integrate in high school training curricula. GEM Vietnam 2013 study once again proves the demand for innovative training curricula in high schools under the direction of “Learn to be” rather than “What to learn”. This program could be promoted in the mass media.

- Entrepreneurs should attend a business training program in a university or a college. It is also necessary to provide students who attend a technical and/or a professional school with skills for starting a business, so they could create jobs for themselves by combining their

technical expertise and entrepreneurship start-up in the field they have specialized in.

- Entrepreneurial perception training programs should be widely disseminated so that individuals can self-evaluate their capabilities and business skills. Training sessions in the skills for starting a business should be developed, especially for people in the 25-34 age groups.

- Prompt improvement of the Enterprises Law to reduce the procedures and the costs of starting up a business.

- Providing support to minimize business administrative requirements. In order to run or provide certain types of businesses and service facilities (such as private medical facilities, private educational institutions at pre-school and primary levels), entrepreneurs may need to have compulsory businesses start-up training.

5.3. *Thirdly, raising the application of science and technology in business*

- Developing strongly technology-based businesses through “business incubators” which focuses in the early stages of development. Currently, Vietnam has had a dozen incubation centres but they have only received the attention of the Ministry of Science and Technology. So far, provinces and cities have not paid attention to this form of business support yet.

- Encouraging the establishment of private equity funds and venture capital funds so businesses can shift their business to manufacturing and support industries. The rate of business activities in these fields in Vietnam is much lower than that of other countries in the second stage of development.

- Promoting the activities of “Support funds for technological innovation” and “National technological innovation programs”. Actively marketing the projects to support technological

innovation supported by international donors (WB, The Government of Finland, etc.)

- The Government should develop a type of Vietnam Challenge Fund to off-set the risks during the process of innovation and creativity. This model has been started and is popular in Vietnam, helping Vietnam shift quickly to the second stage of development.

5.4. *Fourthly, improving business conditions*

- Continuously improving the infrastructure to serve entrepreneurship needs, especially the transportation system, waste and water treatment systems and industrial zones, etc. Paying more attention to forming industrial clusters where large businesses and multinational businesses play as the leading motivational forces to attract businesses in support industries. Building “Plug and Play” factories so small and medium enterprises could rent the production premises and workshop buildings for immediate production.

- Completing the network of business support services through the development of private service providers and business associations. Paying attention to developing services which are appropriate to the characteristics of businesses through each stage of development: entrepreneurship awareness: how to start up a business, the improvement of businesses (for enterprises of small scale), the administration of medium and large businesses, etc. Developing financial services are appropriate to the conditions of each stage of development. The Government should promptly mobilize a fund to develop small and medium enterprises into operation to encourage commercial banks to have suitable products for these businesses.

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